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**DEFENSE CONTRACT MANAGEMENT COMMAND**  
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IN REPLY  
REFER TO

AQO

AUG 18 1997

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS**


**SUBJECT: DCMC Memorandum 97-032 Proposed Management Council Waiver  
Authority for the Single Process Initiative (INFORMATION)**

This is an INFORMATION memorandum. Target audience: All CAOs.

The Office of the Deputy Under Secretary of Defense (Acquisition Reform) has proposed a pilot program to broaden Management Council authority to allow deviation from specific FAR/DFARS and other military and civilian agency regulations as a way of enhancing Single Process Initiative (SPI) effectiveness. The Acquisition Reform office's proposal designates DCMC as the lead to oversee implementation. In preparation, we have prepared a proposed concept of operations that outlines the scope of the program and a procedure for selecting participants. This document is forwarded for your information and to share with your Management Councils.

The concept of operations includes selection criteria for pilot program participants. These criteria were developed to identify Management Councils that are considered mature and continually active in Acquisition Reform efforts. If the pilot program is approved, participation would likely be limited to only those Management Councils meeting the selection criteria. Although program approval and implementation is uncertain, we want to keep you informed of this proposal and allow Management Councils the opportunity to prepare to meet the qualifying criteria. It is our goal to facilitate maximum participation. We will keep you informed of any further developments.

If you have any questions regarding this memorandum, please contact Ms. Barbara Foss Fischer, SPI/Block Change Management Team, at 703-767-2361, or via the Internet at [barbara\\_foss-fischer@hq.dla.mil](mailto:barbara_foss-fischer@hq.dla.mil).

  
JILL E. PETTIBONE  
Executive Director  
Contract Management Policy

Attachment

# ***PROPOSED CONCEPT OF OPERATIONS FOR MANAGEMENT COUNCIL WAIVER AUTHORITY***

## **BACKGROUND**

The Single Process Initiative (SPI) has made a significant impact on the way DoD does business. Further expansion of SPI should render increased returns to the department in achieving its vision of having an acquisition system which is smarter, faster, better, and cheaper which satisfies its requirements from a globally competitive industrial base. One area of SPI expansion is to provide greater authority to local Management Councils to approve concept papers which would normally require higher level approvals, such as one concerning cost accounting standard compliance. The local Management Councils bring together, at the facility level, the functional expertise necessary to manage risk while promoting continuous improvement in contractor performance. These joint Government/Contractor Management Councils have been recognized for fostering process improvements and successfully managing initiatives for reducing acquisition costs.

To enhance SPI effectiveness, the Acquisition Reform Office has proposed that Management Council authority be broadened to allow deviation from specific FAR/DFARS and other military and civilian agency regulations. Under this proposal, it is envisioned this program will proceed as a pilot consisting of approximately 10 facilities and possibly spanning a time frame of up to two years. AR proposes that DCMC be the managing program office to lead this effort .

The concept of operations which follows provides the framework for the pilot program for this expansion in Management Council authority assuming such authority is granted by OSD. It outlines Management Council selection criteria, and proposed concepts of operations including the decision process, documentation requirements, the scope and execution of the waiver authority, escalation procedures and more.

## **OBJECTIVE**

The objective of expanding Management Council authority is to permit local approval of any concept paper that does not impact legislation. This expansion should further institutionalize effective risk management, power down decision-making, reduce processing time, and expedite cost-benefit accruals. It positions industry for a more rapid transition to a performance based business environment.

## **SITE SELECTION CRITERIA**

To be considered as a potential candidate for the pilot program, a Management Council must generally have:

- Been in existence and active for at least twelve months,
- Held regularly scheduled meetings,
- Active concept papers under consideration,
- Executed at least five block changes with cost savings/avoidances,
- Consistently high level of Component Team Leader participation,
- Established operating procedures to include dispute resolution,
- A process for identifying and prioritizing potential targets,
- Metrics to track the progress and results of approved concept papers,
- A proactive supplier partnering program through the value chain,
- Proposed significant acquisition reform initiatives related to affordability, and
- No significant outstanding performance issues, e.g., a Cost Accounting Standard noncompliance.

The above criteria will be standard discriminators for identifying participants. However, the DCMC Commander, will, at his/her option, consider other possible candidates based on case specific circumstances. For example, other contractors might offer noteworthy characteristics/benefits as pilot participants. Suppliers for numerous military systems would be desirable participants as they offer the potential to leverage benefits from improvements implemented. Additionally, those contractors which have demonstrated leadership in proposing new types of cost saving engineering or manufacturing innovations for SPI might also be considered.

## **MANAGEMENT COUNCIL COMPOSITION**

Management Councils that are selected to participate in the program must have fully empowered members that include the DCMC CAO Commander, the DCMC CAO ACO, the Component Team Leaders, and senior level representatives from DCAA and the contractor. Component Team Leaders should account for at least 80% of the customer buying activity business base impacted by any proposed changes. This is consistent with current SPI policy.

## **DECISION PROCESS**

To approve and execute a block change under the proposed enhanced waiver policy, there must be a complete consensus among the Government members of the Management Council. Decisions must address the areas identified in the following paragraph. The ACO would then execute a block change to adopt the approved concept paper. If the Management Council is unable to reach consensus, they must follow the escalation procedures outlined below.

## **DOCUMENTING THE BASIS AND RESULTS OF DECISIONS**

The Management Council must document each decision using the following guidelines. The basis of each decision whether or not to exercise waiver authority needs to be documented. The initial documentation is expected to include:

- Explanation of both the old and the new procedures,
- Cost benefit analysis performed, including expected outcomes,
- Cost/schedule/performance impact,
- Potential risks of granting the waiver, and
- Implementation schedule.

Subsequent to waiver approval, the Management Council will be expected to capture the cost benefits, including savings and estimated future cost avoidances. Throughout the pilot program all documentation regarding overall progress and results against the earlier-developed expected outcomes will be reported to the DCMC Commander and/or his designees.

## **ESCALATION OF ISSUES**

In those relatively few instances where consensus among the Government members of the Management Council cannot be reached, concept papers or issues may be raised to the designated executive board. This may be either through the Service Acquisition Executives or through OSD/AR. When the Component Team Leaders disagree, the existing SPI process shall be utilized for resolution. This requires disagreeing components to elevate issues to the Service Acquisition Executive for final resolution. Additionally, DCMC is taking action to increase the visibility of issues that may have widespread application and should be escalated for policy guidance and clarification.

## **SCOPE AND EXECUTION OF WAIVER AUTHORITY**

DCMC can begin the proposed pilot expansion of Management Council authority upon receipt of an authorizing document signed by OSD. This document would be issued to the DCMC Commander with rights of re-delegation. The scope of the proposed waiver authority would exclude statutory and Executive Order requirements. The authorizing document would include waiver authority for FAR/DFARS requirements which are not statutory, DoD Directives, Military Service Supplements to the DFARS, and Civilian Agency requirements as appropriate. Any requirements flowing from statute or Executive Order are excluded under this waiver.

The DCMC CAO Commander, when delegated this waiver authority, would execute within the scope of applicable OSD policy and the respective Management Council defined concept.

## **EXPECTED WAIVER APPLICABILITY**

It is proposed that approved waivers apply to all current contracts within the contractor's facility. Management Councils would use the block change process to document agreed upon changes. Prime contractors would have the option to extend the waiver terms to their sub-tier vendors in accordance with existing SPI policy. It is envisioned that changes applied to existing contracts would be applicable to future contracts in accordance with current SPI policy on new procurements.

In lieu of a specified time frame, it is proposed that waivers granted under this program be in effect until rescinded. It is further proposed that non-contractual issues also be covered by this waiver authority. In instances where there is FAR/DFARS coverage, the waiver would encompass any supplemental implementing requirements.

## **PROGRAM REVIEW STATUS**

DCMC would monitor the success of the pilot program in-part by conducting in-process reviews every six months. DCMC will establish in-process review content, data collection procedures and presentation format. This information is critical as it will be used as a basis for determining future program expansion.

## **FUTURE EXPANSION**

After the first year of the pilot program, DCMC will perform an analysis of the data collected as a basis for determining further program expansion. This may result in a recommendation to extend similar waiver authority to other Management Councils who have since met the selection criteria.